

# IRS News Release

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## **IRS Continues to Increase Oversight of Tax Return Preparers to Improve Compliance, Taxpayer Service**

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WASHINGTON — As the April 15 tax deadline approaches, the Internal Revenue Service today announced initial results from its stepped-up effort involving enforcement and education to combat unscrupulous tax return preparers and protect the nation's taxpayers.

The IRS said it has conducted more than 5,000 field visits to tax return preparers this fiscal year. In addition, the IRS has worked with the Department of Justice to pursue questionable return preparers, an effort that has led to 56 indictments, 25 convictions and 21 civil injunctions since Jan. 1, 2010.

"We are working to help ensure taxpayers receive competent and ethical service from qualified tax professionals," said IRS Commissioner Doug Shulman. "Our efforts this tax season are part of a longer-term effort to improve the oversight of this critical part of the tax system. The vast majority of tax return preparers provide solid service, but we need to do more to protect taxpayers."

Shulman announced in January the results of a [six-month study](#) of the tax return preparer industry, which proposed new registration, testing and continuing education of tax return preparers. With more than 80 percent of American households using a tax preparer or tax software to help them prepare and file their taxes, higher standards for the tax return preparer community will significantly enhance protections and service for taxpayers, increase confidence in the tax system and result in greater compliance with tax laws over the long term. While this longer-term effort is underway, the IRS has taken several immediate steps this filing season to assist taxpayers.

### **Enforcement Efforts**

The IRS has worked closely with the Justice Department this tax season to increase legal actions against unscrupulous tax return preparers, obtaining 21 civil injunctions, 56 indictments and 25 convictions of return preparers so far in 2010. More information is available at the [IRS Civil and Criminal Actions](#) page on [irs.gov](http://irs.gov). and at the Department of Justice [Tax Division](#) page on [DOJ.gov](http://DOJ.gov).

"The IRS appreciates the strong support of the Justice Department for its efforts to pursue and shut down bad actors in the tax return industry," Shulman said. "This effort makes a real difference for the nation's taxpayers and helps protect the many tax professionals who play by the rules."

“While the majority of return preparers provide excellent service to their clients, a few unscrupulous tax preparers file false and fraudulent returns to defraud the government and the tax-paying public. Those actions are illegal, and can result in substantial civil penalties as well as criminal prosecution, for both the return preparers and their customers who knew or should have known better. Taxpayers should choose carefully when hiring a tax preparer,” said John A. DiCicco, Acting Assistant Attorney General of the Justice Department’s Tax Division.

Also during this filing season, the IRS used investigative tools on a broad basis, including agents posing as taxpayers, to seek out and stop unscrupulous preparers from filing inaccurate returns. To date, the IRS conducted 230 undercover visits to tax return preparers. In addition, dozens of search warrants have been completed.

The IRS will continue to work closely with the Department of Justice to pursue civil and criminal action as appropriate.

### **Education Efforts**

In January, the IRS sent more than 10,000 letters to tax return preparers. These letters reminded them of their obligation to prepare accurate returns for their clients, reviewed common errors, and outlined the consequences of filing incorrect returns. The letters went to preparers with large volumes of specific tax returns where the IRS typically sees frequent errors, although simply receiving a letter was not an indication the preparer had problems.

The IRS followed up with field visits to about 2,400 tax return preparers who received these letters to discuss many of the issues mentioned in the letter. Separately, the IRS conducted other compliance and educational visits with return preparers on a variety of other issues. All told, IRS representatives visited more than 5,000 paid preparers to encourage and help them avoid filing incorrect or fraudulent returns for their clients.

The IRS will be reviewing the results of these letters and visits to determine steps for future filing seasons.

### **Future Efforts**

The IRS has recently begun to implement a number of steps to increase oversight of federal tax return preparers. This includes proposed regulations that would require paid tax return preparers to obtain and use a preparer tax identification number (PTIN). Later this year, the IRS will propose additional regulations requiring competency tests and continuing professional education for paid tax return preparers who are not attorneys, certified public accountants and enrolled agents.

Setting higher standards for the tax preparer community will significantly enhance protections and services for taxpayers, increase confidence in the tax system and result in greater compliance with tax laws over the long term. Other measures the IRS anticipates taking are highlighted in [Publication 4832](#), *Return Preparer Review*, issued earlier this year.

### **Help for Taxpayers before April 15**

As the tax deadline approaches, the IRS reminds taxpayers that most tax return preparers are professional, honest and provide excellent service to their clients. But a few simple steps can help people choose a good tax return preparer and avoid fraud:

- Be wary of tax preparers who claim they can obtain larger refunds than others.
- Avoid tax preparers who base their fees on a percentage of the refund.
- Use a reputable tax professional who signs the tax return and provides a copy. Consider whether the individual or firm will be around months or years after the return has been filed to answer questions about the preparation of the tax return.
- Check the person's credentials. Only attorneys, CPAs and enrolled agents can represent taxpayers before the IRS in all matters, including audits, collection and appeals. Other return preparers may only represent taxpayers for audits of returns they actually prepared.
- Find out if the return preparer is affiliated with a professional organization that provides its members with continuing education and other resources and holds them to a code of ethics.

More information is available on IRS.gov, including [IRS Fact Sheet 2010-03](#), How to Choose a Tax Preparer and Avoid Tax Fraud.